

## GEORGIA

**Capital:** Tbilisi

**GDP per capita (PPP):** \$4,600 (2000 est.)

**Population:** 4,989,285 (July 2001 est.)

**Foreign Direct Investment:** \$101,000,000

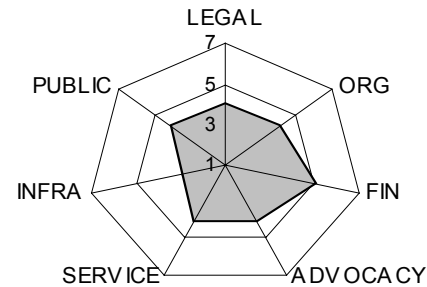
**Inflation:** 4.1% (2000 est.)

**Unemployment:** 14.9% (1999 est.)

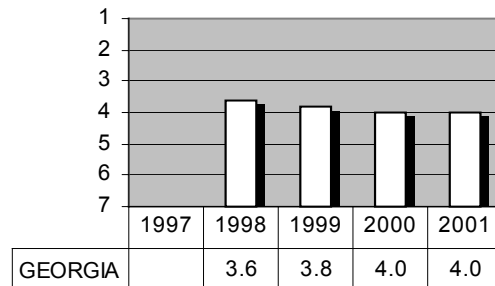
### OVERALL RATING: 4.0

A diverse NGO sector has developed in Georgia over the past decade. It is difficult to determine the number of Georgian NGOs as there is no comprehensive registry, but recent estimates suggest that there are more than 3,000 NGOs registered in Georgia. Only 500 to 800 are considered to be active organizations, with perhaps no more than 100 of them operating full-time. As few as 20 to 50 NGOs have the capacity to interact with government at the national level in policy formulation and decision-making.

The NGO Sustainability Index reflects these uneven levels of development. Of note are the recent advocacy successes of Georgia's most mature and professional NGOs, though probably no more than 10 organizations are capable of this type of successful lobbying activity at the national level. The remainder of the sector, particularly the relatively nascent NGOs in Georgia's regions, are substantially weaker and do not have the capacity to interact effectively with Government on their constituent's behalf. Similar asymmetry is noted in other dimensions, including organizational capacity and financial viability.



Annual Scores



### LEGAL ENVIRONMENT: 4.0

Although Georgia's legal environment generally has improved during past year, several problems continue to impede the NGO sector: weak and incomplete legislation, poor implementation of the law, bureaucratic obstacles, and corruption.

The legislative base for NGOs remains weak. Three key laws govern the sector: the Civil Code, the Law on Grants, and the Tax Code. Despite years of NGO lobbying effort, there is still no law on charity, and NGOs remain subject to the

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same taxation rate as private companies.

Problems also remain in the implementation of existing law. For example, according to the tax code, NGOs can be reimbursed for VAT charges (20%) paid for services and work performed. However, few NGOs have actually been able to collect this reimbursement; the few that have been successful received their refund only after submitting their claims to court.

Bureaucratic obstacles to registration

are still formidable and costly. Registration fees can cost up to GEL 200 (approximately \$100), prohibitively expensive for many nascent groups.

Corruption continues to impede progress. For example, although the law exempts NGOs from paying duties on products purchased abroad with grant funds, in practice NGOs are often required to pay additional unforeseen costs, which can exceed customs duties, such as the cost of cargo storage at customs.

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### ORGANIZATIONAL CAPACITY: 4.0

NGO organizational capacity varies greatly between the handful of well-developed NGOs in Tbilisi and the numerous nascent organizations in the regions. The few well-developed NGOs in Tbilisi enjoy both multiple funding sources and prestige. They are well equipped with adequate office space, generators, computers, permanent staff, and a clearly defined management structure including Boards of Directors. Conversely, smaller and newer NGOs in the regions struggle to obtain these ne-

cessities – especially Internet access.

Outreach to constituents is a new concept for Georgian NGOs. While many NGOs acknowledge that a strong constituent base is needed for their viability and sustainability, few have the knowledge or means to actively engage in outreach activities. Many Georgian NGOs deliver services to local citizens. However, few of these seek to expand their base by reaching out to other potential constituents.

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### FINANCIAL VIABILITY: 5.0

Georgia's NGO sector is highly dependent on foreign donor support. Approximately 95% of funding for the sector comes from international sources. The general level of poverty in Georgia, particularly in the regions, prevents NGOs from seeking a paying membership base, and legislation does not provide tax benefits or exemptions to those who make philanthropic donations. As a result, there is virtually no local philanthropy or fundraising. One recent example of the difficulties faced in trying to raise funds locally occurred in the Kak-

heti region, where an NGO suffered \$380 in damage during a thunderstorm. After sending more than 100 letters to various businesses and governmental agencies seeking financial support, the NGO only managed to raise \$22.50.

Despite their poverty, Georgian citizens have demonstrated that they will pay for services that they deem essential. For example, in Gori, an NGO that delivers basic medical services to the surrounding villages remains viable because each family pays 80 tetri (40 cents) a

month to the NGO to maintain these services.

Businesses occasionally support NGOs, but generally only for one-time activities. Such donations are usually not widely publicized since businesspeople do not want to draw the attention of tax authorities. Absence of legislation to make charitable contributions tax deductible hinders the development of philanthropy.

Federal and local government financing is also rare. Georgian law prohibits the government from awarding grants to NGOs with its own resources. In a few cases, financing was provided from grants received by the Georgian Government from international organizations such as UNESCO.

The level of financial sophistication varies greatly among Georgian NGOs. The few well-known NGOs that have been in existence for years have excellent financial management systems in place, diversify their services, have regular staff, and successfully raise funds. However, the vast majority of Georgian NGOs fail to meet these basic financial criteria.

Most NGOs have weak financial management systems. Financial reports are prepared only to meet donor requirements and financial audits are rare. One of the few times such audits are performed is to ensure the sufficiency of the initial capital required in registering a foundation.

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### ADVOCACY: 4.0

During the past year, there were three notable examples of NGOs working with the government to enact productive reforms. First, a coalition of leading NGOs joined with the Orthodox Church to provide oversight and assistance to the Ministry of Justice on issues including penal reform. Second, a coalition of NGOs worked with Parliament to collaboratively craft Georgia's first Unified Election Code. Finally, a group of NGOs joined members of the Chancellery, Parliament, and local council members to draft a new Law on Local Self-Governance. Other government ministries that actively cooperate with NGOs include the Ministry of Environment and

Natural Resources and the Ministry of Education. Such efforts demonstrate that NGOs, particularly seasoned experts in Tbilisi, are increasingly willing and able to work with one another to successfully lobby for progressive reforms.

However, few cases of such collaborative efforts exist in the regions, and newly formed NGOs are generally unwilling to work together. While there are a few isolated examples of NGO advocacy at the local level, the vast majority of these new NGOs are not yet ready or able to forge coalitions and lobby government for change.

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### SERVICE PROVISION: 4.0

There are several areas in which the services of well-developed NGOs effectively compete with those provided by the government or private businesses.

For example, several strong NGOs employ professionals who provide a wide variety of services, including environmental, legal, economic, management,

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medical, cultural, educational, forensic expertise, psycho-social rehabilitation, support of the unemployed, gender, conflict resolution, and local community mobilization. Well-developed service NGOs are able to respond to the rapidly changing needs of society in a more timely and flexible manner than the government.

Besides their constituencies, Georgian NGOs have started to serve the business and governmental sectors. For example, in the city of Ozurgeti in Western Georgia, NGOs provide legal services to the local government and maintain certain databases. In the past year, through its NGO-government partnership program, the Horizonti Foundation provided financing to eight NGOs to provide various services to the Govern-

ment. NGOs also provide critical and timely services to the international donor community. For example, this year NGOs were involved in evaluating the World Bank-funded Poverty Reduction Program and submitted alternative expert conclusions.

However, relatively few NGOs provide these services, and most of these are located in Tbilisi and other large cities. Frequently, NGOs lack the financial resources and technical equipment to expand the scale of their activities or their clientele. Furthermore, the licensing system, gaps in existing legislation, and bureaucratic labyrinths sometimes create artificial obstacles for the NGOs in providing services to their clients.

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### INFRASTRUCTURE: 3.0

During the past year, NGO resource centers and intermediary support organizations (ISOs) have sprung up throughout the country, and are beginning to form the basis of participation in broader civic education efforts. NGOs now have access to several qualified trainers who can provide the basic information and skills needed for institutional development. Demand for their services from new NGOs is quite high. Exchange of information and coalition building occurs primarily among organizations with similar specialties, such as those concerned with the issues of internally displaced persons (IDPs), human rights protection, and environmental NGOs.

The Horizonti Foundation works to strengthen partnerships among NGOs,

local business and government to achieve common objectives. NGOs working on legal and economic issues actively cooperate with businesses, as well as with legislative and executive bodies. Environmental NGOs have worked with the Ministry of Environment and Natural Resources Protection to jointly lobby Parliament for improved legislation and policy. In a similar vein, several NGOs working on issues of anti-corruption, journalistic investigations and human rights protection actively cooperate with representatives of the press, TV and radio. Despite the general lack of public and media relations skills in most NGOs, there are several examples of NGO-media cooperation, particularly with regard to the Freedom of Information section of the Administrative Code.

### **PUBLIC IMAGE: 4.0**

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Georgia's few mature NGOs have learned innovative means of partnering with the media to "get the word out" about the Third Sector. These groups effectively communicate their message to the public through a wide variety of means, including seminars, creative use of awards, publications, and public service announcements.

Nonetheless, the general population in Georgia still lacks a clear understanding of the nature and purpose of NGOs, as the vast majority of NGOs fail to provide meaningful outreach to constituents or to work effectively with the media to publicize events, activities, or successes. Most Georgian NGOs lack the experience and knowledge of how to work effectively with the media or with

their local communities. In addition, the media is usually ready to publicize any misstep by the NGO community, including accusations (justified or not) of the mishandling of funds or of other types of corruption.

Public opinion studies undertaken in the regions confirm that the majority of the population knows little about NGOs. Despite the proliferation in the number and geographical coverage of NGOs, most of the public, including government representatives and business people, neither understands the significant potential of the third sector, nor the importance of creating a vibrant civil society in Georgia.